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Rival streaming services could cost Netflix 65% of its viewing hours, says Wedbush

The rise of rival streaming services could cost Netflix Inc (NASDAQ:NFLX) 65% of its viewing hours, according to analysts at Wedbush.

In a note on Friday, the LA-based investment firm, which rates Netflix at 'underperform' with a price target of US\$183, said they expected content losses for the firm's streaming platform to "steadily mount" over the next several years as media giants such as Walt Disney Co (NYSE:DIS), Comcast Corp (NASDAQ:CMCSA) and AT&T Inc's (NYSE:T) Warner Bros pulled their own content off Netflix in order to launch their own platforms.

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Wedbush said that the "likely loss" of content libraries from Disney and Fox could cost Netflix 25% of its total viewing hours, while the migration of more content from Comcast and Warner Bros would take the total loss of viewing hours to between 60% and 65%.

Netflix has been under pressure recently when it emerged in June that NBCUniversal would be pulling its sitcom series *The Office* from the streaming giant's platform ahead of the launch of its own subscription service in 2020.

Warner followed suit in July saying that it would be gaining the exclusive rights to stream all episodes of the *Friends*, currently one of Netflix's most popular series.

While this exodus of content would not result in the "imminent demise" of Netflix, Wedbush's analysts said that it was "unclear" whether the company could replace it with enough content of sufficient quality to keep its current subscriber base loyal.

This uptick in content spending was also likely to trigger "substantial cash burn for many years", Wedbush said, which when accompanied with likely price hikes could cause subscriber growth to decelerate.

In short, Wedbush said the current valuation for Netflix was "unwarranted" and that they would not reconsider their rating unless there was evidence of cash burn stabilising or a reversal in trajectory.

In pre-market trading on Friday, Netflix shares were 0.4% higher at US\$381, an almost 100% premium on Wedbush's target.

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Price: 298.5

Market Cap: \$130.82 billion

1 Year Share Price Graph



Share Information

Code: NFLX

Listing: NASDAQ

52 week	High	Low
	385.99	231.32

Sector: Media

Website: www.netflix.ca

Company Synopsis:

Netflix, Inc. is a subscription service streaming movies and television episodes over the Internet and sending digital versatile discs by mail to more than 12 million subscribers.

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